

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6563

BILL NUMBER: HB 1344

NOTE PREPARED: Jan 15, 2008

BILL AMENDED:

SUBJECT: 1985 Judges Pension Fund.

FIRST AUTHOR: Rep. Klinker

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill allows under certain conditions a judge who is a participant in the 1985 Judges' Retirement System (1985 System) to transfer to the 1985 System service credit earned as a full-time referee, commissioner, or magistrate after leaving an elected term on the bench. The bill also makes technical corrections.

(The introduced version of this bill was prepared by the Code Revision Commission.)

Effective Date: Upon passage.

Explanation of State Expenditures: Ultimately, the impact of these provisions will depend on the number of individuals able to and opting to transfer credit earned as a full-time referee, commissioner, or magistrate after leaving an elected term on the bench, along with the number of years of service credit able to be transferred to the 1985 System. Significant impact can especially occur in the event that sufficient service credit is transferred to allow an individual to become vested in the system, when otherwise the individual would not have been eligible for benefits.

As an example, assume a participant who is age 65 with 5 years of service on the bench. Since the participant has less than 8 years of service and thus is not vested in the system, he would not be eligible for a benefit. However, if the participant is now able to transfer and additional three years of service as a magistrate after leaving the bench, then the participant would be eligible for a retirement benefit. If the participant had a salary of \$120,000, then the annual benefit would be \$28,800 (\$120,000 times 24%), which would have an estimated present value of \$272,900. The state would be required to contribute an amount sufficient to amortize the past service liability over not more than 10 years resulting in a cost to the state of approximately \$36,650 per year.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund as administrators of the 1985 Judges' Retirement System.

Local Agencies Affected:

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for the Public Employees' Retirement Fund and the Judges' Retirement System, 317-576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS

Present Value—The present value (sometimes called actuarial present value) of an amount or series of amounts payable or receivable in the future is their current worth after discounting each such amount at an assumed rate of interest and adjusting for the probability of its payment or receipt.